

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
requesting approval of a renewable energy plan to)	Case No. U-18237
fully comply with Public Act 295 of 2008, as)	
amended.)	
_____)	

At the January 23, 2018 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 9, 2017, Wisconsin Electric Power Company d/b/a We Energies (WEPCo) filed its application with supporting testimony and exhibits requesting approval of a renewable energy plan, in accordance with a settlement agreement approved by the Commission on December 9, 2016, in Case No. U-18061 (U-18061 settlement agreement).

As stated in WEPCo's application, on January 1, 2017, pursuant to the U-18061 settlement agreement, Upper Michigan Energy Resources Corporation (UMERC) was established as a Michigan-regulated utility providing service to electric and natural gas customers in the Upper Peninsula of Michigan. On January 1, 2017, WEPCo and Wisconsin Public Service Corporation transferred all of their Michigan jurisdictional distribution substations, distribution lines, and other distribution assets used in providing retail electric service in Michigan, as well as their Michigan

retail full requirements customers and retail access service customers to UMERL, except for one customer.

A prehearing conference was held on April 19, 2017, before Administrative Law Judge Dennis W. Mack. WEPCo and the Commission Staff participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED, that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Wisconsin Electric Power Company's renewable energy plan, as set forth in the settlement agreement, satisfies the requirements of Public Act 295 of 2008.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of January 23, 2018.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the Application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
requesting approval of a renewable energy plan)	Case No. U-18237
<u>to fully comply with Public Act 295 of 2008, as amended.</u>)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Commission’s Rules of Practice and Procedure, Mich Admin Code, R 792.10431 (“Rule 431”), Wisconsin Electric Power Company d/b/a We Energies (“Wisconsin Electric” or “Company”) and the Michigan Public Service Commission (“Commission”) Staff (“Staff”) agree as follows:

1. Wisconsin Electric filed its Application in this case on March 9, 2017, in accordance with a settlement agreement approved by the Commission on December 9, 2016 in Case No. U-18061 (“U-18061 Settlement Agreement”). The Application was supported by the pre-filed direct testimony and exhibits of Dennis M. Derricks.

2. As stated in the Application, on January 1, 2017, pursuant to the U-18061 Settlement Agreement, Upper Michigan Energy Resources Corporation (“UMERC”) was established as a Michigan regulated utility providing service only to electric and natural gas customers in the Upper Peninsula of Michigan. On January 1, 2017, Wisconsin Electric transferred all of its Michigan jurisdictional distribution substations, distribution lines, and other distribution assets used in providing retail electric service in Michigan, as well as its Michigan retail full requirements customers and retail access service customers to UMER, except for one customer, Tilden Mining Company L.C. (“Tilden”).

3. The U-18061 Settlement Agreement states that Wisconsin Electric will continue to serve Tilden and Empire Iron Mining Partnership (“Empire”) (collectively, “Mines”) until termination of both of the 2015-2019 Large Curtailable Special Contracts between Wisconsin Electric and the Mines that were approved by the Commission’s April 23, 2015 Order in Case No. U-17862, at which time the Mines will be transferred as customers of UMER. In a signed letter appended as Attachment B to Wisconsin Electric’s September 1, 2016 Application Requesting Approval of Amendment in Case No. U-17862, Wisconsin Electric and Empire agreed that Empire’s special contract would terminate no later than October 15, 2016. The Commission approved the termination letter in its December 9, 2016 Order in Case No. U-17862. As a result, Tilden is Wisconsin Electric’s only customer, and will remain a customer of Wisconsin Electric until it is transferred as a customer to UMER, which as of the date of this Settlement Agreement is projected to occur in mid-2019.

4. On March 17, 2017, the Commission’s Executive Secretary issued a Notice of Hearing directing Wisconsin Electric to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan electric service area. The Commission’s Executive Secretary further directed Wisconsin Electric to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan electric service area. Finally, the Commission’s Executive Secretary directed the Company to serve a copy of its testimony and exhibits on all persons who petitioned to intervene. Wisconsin Electric filed its proofs of mailing and publication in this docket on April 6, 2017.

5. On April 19, 2017, Administrative Law Judge Dennis W. Mack conducted a prehearing conference. No person requested to intervene at the prehearing conference, and a

case schedule was adopted. The Staff filed the direct testimony and exhibit of Meredith A. Hadala on October 11, 2017.

6. Subsequently, the parties participated in settlement discussions regarding Wisconsin Electric's revised renewable energy ("RE") Plan filed in this Case No. U-18237, and agree as follows:

a. The Company's RE Plan, as set forth in Attachment A, and as further described in Paragraphs 6.a. through 6.l. of this Settlement Agreement (the "2017 RE Plan"), satisfies the requirements of 2008 PA 295 as amended by 2016 PA 342, is reasonable and prudent, and should be approved.

b. Costs of pre-2008 PA 295 RE generated at a Company-owned facility, pre-2008 PA 295 RE and/or renewable energy credits ("RECs") purchased under a CGS tariff, and RE and RECs obtained under a power purchase agreement, allocated to Michigan shall continue to be treated as system-wide energy costs and recovered via special contract and traditional rate mechanisms (*e.g.*, via base rates and the power supply cost recovery ("PSCR") mechanism).

c. Costs of post-2008 PA 295 RE generated at Company-owned facilities that is allocated to Michigan and used for 2008 PA 295 (as amended) compliance, namely the cost of RE generated at the Glacier Hills Wind Farm ("Glacier Hills"), the Montfort Energy Center ("Montfort"), and the Rothschild Biomass Energy Project ("Rothschild"), shall be recovered via the transfer price and RE surcharges (if any RE surcharges are collected).

d. The transfer price for RE from Glacier Hills shall continue to be the \$80.41 per megawatt hour ("MWh") transfer price established in the Company's initial

RE plan approved in Case No. U-15812; the transfer price for RE from Montfort and Rothschild shall be the transfer price schedule established in the Commission's December 19, 2013 Order in Case No. U-16662. These transfer prices will be applied in pending and future RE reconciliation proceedings, PSCR plan proceedings, and PSCR reconciliation proceedings.

e. For purposes of this 2017 RE Plan and pending and future RE reconciliation proceedings, the incremental cost of Rothschild on a per MWh basis shall be the difference between: (i) the lower of either the levelized revenue requirement of \$140 per MWh or the actual annual revenue requirement per MWh; and (ii) the transfer price, irrespective of whether the actual annual revenue requirement per MWh for Rothschild generation is higher than \$140 per MWh; provided, however, that this rate treatment of the revenue requirements for Rothschild is for the sole purpose of reaching a compromise among the parties in this RE plan proceeding. Rothschild costs that are deemed not to be incremental costs by virtue of this paragraph, if any, are not being deferred through this settlement. Nonetheless, Wisconsin Electric does not waive, but fully preserves, its rights to: (a) introduce in a future RE plan or reconciliation proceeding, or in a general rate case, new or different revenue requirement information for Rothschild; and (b) request in such proceedings that the Commission approve a change in the recovery of the costs of Rothschild, including (but not limited to) the recovery of all Rothschild revenue requirements in base rates.

f. Wisconsin Electric may exchange credits from system-wide RE allocated to Michigan that does not meet the MCL 460.1029 locational requirements to be eligible for Michigan REC status, for like-kind (*e.g.*, wind-for-wind) amounts of Michigan-

eligible RECs, without any reallocation of costs, with the exchanged-for Michigan eligible RECs to be used to meet the REC portfolio requirement, and the costs of the system-wide RE and RECs allocated to Michigan that does not meet the MCL 460.1029 locational requirements to be eligible for Michigan REC status shall be recovered via special contract and traditional rate mechanisms.

g. The cost of REC-only purchases made to comply with 2008 PA 295 (as amended) shall be treated as incremental RE costs and recovered via RE surcharges if any RE surcharges are collected.

h. The cost of post-2008 PA 295 RE above the transfer price will be recovered via the RE surcharges if any surcharges are collected, and shall be reconciled in accordance with MCL 460.1049 in pending and future RE reconciliation proceedings. The Company shall continue to use the first-in, first-out method whereby the oldest RECs will be used first to meet the Michigan REC standard. If there are not enough unexpired RECs from previous years to meet the current year Michigan REC portfolio requirement, then RECs from the current year are used to meet the remaining current year Michigan REC portfolio requirement. With the exception of Rothschild costs, which are governed by Paragraph 6.f., above, to the extent that the costs of obtaining RE are not recovered via a transfer price and RE surcharge, Wisconsin Electric may request that such costs be reviewed and recovered in otherwise applicable regulatory proceedings.

i. Due to limitations on Wisconsin Electric's ability to recover incremental RE costs via its RE surcharges, this 2017 RE Plan is expected to result in a regulatory asset. Any regulatory asset created by or resulting from this 2017 RE Plan shall be treated as a Michigan regulatory asset. For any Michigan regulatory asset that exists

when Tilden is transferred as a customer to UMER, Wisconsin Electric shall transfer 62.5% of the Michigan regulatory asset to UMER for full recovery by UMER under UMER's RE plan or other cost recovery mechanism (except that the transferred regulatory asset shall not include any amounts that could have been collected from Tilden had Tilden's special contract included the statutory maximum RE surcharge of \$187.50 per meter per month). Additionally, Wisconsin Electric will transfer its REC bank for its Michigan jurisdiction to UMER after Tilden is transferred as a customer to UMER and after the Commission finds Wisconsin Electric met its REC portfolio requirements in Wisconsin Electric's final RE reconciliation.

j. Wisconsin Electric will base the MWh used in the calculation of its REC portfolio requirement for 2017 and beyond on the previous year's weather-normalized sales of electricity in Michigan, and Wisconsin Electric reserves the right to seek a change in this method of calculation of its REC portfolio requirement in a future RE Plan.

k. Wisconsin Electric will continue to use the REC inventory accounting method for RECs obtained to comply with Michigan's REC portfolio requirements as approved in Case No. U-17798.

l. The assumptions and projections underlying and contained in this 2017 RE Plan, including (but not limited to) projected sales, energy allocators and revenue requirements throughout the plan period, are subject to change, and Wisconsin Electric may introduce in a future RE plan or reconciliation proceeding, or in a general rate case, new or different sales forecasts and revenue requirements and other projections.

7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the signatories. All offers of settlement and discussions relating

to this settlement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the signatories to the settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

8. Pursuant to Rule 431, the signatories agree any order approving this Settlement Agreement shall not establish precedent for future proceedings. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-18237 only. If the Commission approves this Settlement Agreement, without modification, the undersigned signatories agree not to appeal, challenge or otherwise contest the Commission order approving this Settlement Agreement.

9. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any signatory.

10. The signatories agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

WISCONSIN ELECTRIC POWER COMPANY

Dated: December 12, 2017

By: Michael C. Rampe
One of its Attorneys
Michael C. Rampe (P58189)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933

Digitally signed by: Michael C. Rampe
DN: CN = Michael C. Rampe C =
US O = Miller Canfield
Date: 2017.12.12 11:35:46 -04'00'

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: December 12, 2017

By: Spencer Sattler
Spencer A. Sattler (P70524)
Meredith R. Beidler (P78256)
Assistant Attorneys General
Public Service Division
7109 West Saginaw Highway, 3rd Floor
Lansing, MI 48917

Digitally signed by Spencer Sattler
DN: cn=Spencer Sattler, o=Michigan
Department of Attorney General,
ou=Public Service Division,
email=sattlers@michigan.gov, c=US
Date: 2017.12.13 09:13:30 -05'00'

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RENEWABLE ENERGY PLAN SUMMARY

Wisconsin Electric Power Company

Row No.		2016	2017	2018	2019
1	Sales and Requirement Calculation				
2	Method: Weather Normalized or 3 Year Average				
3	If Selected Weather Normalized:				
4	Current Year Sales to Retail Customers	1,227,998	1,170,000	1,170,000	484,027
5	Current Year Weather Normalization Factor	1	1	1	1
6	Current Year Weather Normalized Sales (Row Number 4 * 5)	1,227,998	1,170,000	1,170,000	484,027
7	If Selected 3 Year Average:				
8	Current Year Retail Sales to Retail Customers				
9	3 Year Average of Retail Sales				
10	RPS Required Energy Credits (For 2017 and 2018 enter the same amount as 2015 requirement in MIRECS, for 2019 and 2020 enter 12.5% of row 6 or 9, for 2021 enter 15% of row 6 or 9)	38,400	122,800	117,000	146,250
11	Energy Credits				
12	Energy Credit Beginning Balance	329,306	410,327	380,054	284,212
13	Energy Credits Obtained Through Generation/BOT	149,552	72,016	72,532	31,069
14	Energy Credits Obtained Through PPA	31,554	20,511	13,626	-
15	Energy Credits Obtained Through REC Purchases	35,526	-	-	-
16	Plus: Energy Credit Obtained (Row 13+14+15)	216,632	92,527	86,158	31,069
17	Less: Energy Credits Sold	-	-	-	-
18	Available Energy Credits (Row 12+16-17)	545,938	502,854	466,212	315,281
19	Compliance Requirement (Row 10)	38,400	122,800	117,000	146,250
20	Less: Energy Credit Expiration	97,211	0	65,000	36,000
21	Energy Credit Ending Balance (Row 18-19-20)	410,327	380,054	284,212	133,031
22	Revenue Requirement				
23	Cost of Renewable Energy Generation/BOT	\$ 5,218,635	\$ 3,642,713	\$ 3,532,152	\$ 1,496,493
24	Cost of Renewable Energy PPA	-	-	-	-
25	Cost of Renewable Energy Credit Purchases	\$ 106,578			
26	Costs of Administration of Renewable Energy Plan				
27	Less: Revenue obtained from RE Sales (non-retail)				
28	Total Revenue Requirement for Renewable Energy Plan (Row 23+24+25+26-27)	\$ 5,325,213	\$ 3,642,713	\$ 3,532,152	\$ 1,496,493
29	Cost Recovery				
30	Forecasted Transfer Price per MWH	78.05	71.20	72.09	73.46
31	MWH of Renewable Energy	41,566	32,213	32,338	13,771
32	Amount Recovered Through the PSCR (Row 30 * 31)	\$ 3,244,247	\$ 2,293,600	\$ 2,331,233	\$ 1,011,647
33	Incremental Cost of Compliance (Row 28-32)	\$ 2,080,966	\$ 1,349,113	\$ 1,200,919	\$ 484,846
34	Non-Volumetric Surcharge Meter (or customer) Forecast				
35	Residential	24,806	-	-	-
36	Secondary	3,039	-	-	-
37	Primary	6	1	1	1
38	Total (Row 35+36+37)	27,851	1	1	1
39	Planned Surcharge Revenue				
40	Residential	\$ 316,786	\$ -	\$ -	\$ -
41	Secondary	\$ 210,313	\$ -	\$ -	\$ -
42	Primary	\$ 3,978	\$ 2,250	\$ 2,250	\$ 2,250
43	Total (Row 40+41+42)	\$ 531,078	\$ 2,250	\$ 2,250	\$ 2,250
44	Year End Regulatory Liability Balance				
45	Current Year Regulatory Liability Balance (Row 43-33)	\$ (1,549,888)	\$ (1,346,863)	\$ (1,198,669)	\$ (482,596)
46	Forecasted Ending Balance Prior to Current Year Interest (Row 48 for prior year + Row 45 of current year)	\$ 1,166,432	\$ (162,098)	\$ (1,360,000)	\$ (1,913,414)
47	Carrying Charges (Short-term interest)	\$ 18,333	\$ 767	\$ (70,818)	\$ (155,674)
48	Total Balance (Row 46 + 47)	\$ 1,184,765	\$ (161,331)	\$ (1,430,818)	\$ (2,069,088)

RENEWABLE ENERGY CREDIT SUMMARY

	2017		2018		2019	
	RECs	Percent	RECs	Percent	RECs	Percent
Technology Mix						
Wind	52,005	56.2%	45,187	52.4%	13,437	43.2%
Solar						
Biomass	9,917	10.7%	10,278	11.9%	4,551	14.6%
Steam						
Geothermal						
Municipal Solid Waste						
Landfill Gas	10,033	10.8%	10,081	11.7%	4,303	13.8%
Hydroelectric	17,676	19.1%	17,680	20.5%	7,513	24.2%
Incentive	2,896	3.1%	2,933	3.4%	1,265	4.1%
Other						
Totals	92,527	100.0%	86,159	100.0%	31,069	100.0%
Program Type						
PURPA						
Net Metering						
Feed-in Tariffs						
Community Solar						
Other						
Total						
*RECs generated and obtained during the year less RECs sold or expired.						

Wind=Byron, BSGF, GH, Montfort, EC, Manitoba Hydro less EFT (56.9%)

Biomass=Rothschild

Landfill Gas=COGS Biogas

Hydroelectric=WE Hydro

Incentive=Hydro/Rothschild